



STATE OF WASHINGTON

PUBLIC DISCLOSURE COMMISSION

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August 31, 2006

The Honorable Rob McKenna
Attorney General of the State of Washington
PO Box 40100
Olympia, WA 98504-0100

Dear General McKenna:

On February 8, 2006, your office received a citizen action letter from Richard Pope alleging that the People for Chris Gregoire Surplus Funds Account violated chapter 42.17 RCW by: (1) failing to file its reports electronically; (2) improperly transferring surplus funds into a campaign account; and (3) failing to timely file complete reports with the Public Disclosure Commission. Your office forwarded the letter to the Public Disclosure Commission for investigation.

On August 24, 2006, PDC staff reported the results of its investigation to Jane Noland, Chair of the Public Disclosure Commission. A copy of the staff memorandum is enclosed. The investigation revealed insufficient evidence to prove that the activities of the People for Chris Gregoire Surplus Funds Account cited in the complaint constituted material violations of chapter 42.17 RCW. The Chair of the Commission reviewed the staff memorandum.

The Commission Chair accepted PDC staff's recommendation that no further action is warranted on the complaint. This letter conveys the Commission Chair's concurrence that no further action will be taken by the Commission on this complaint, and the Chair's recommendation that no action be taken by the Attorney General.

If we can be of assistance, please contact me at vrippie@pdc.wa.gov or 586-4838.

Sincerely,

Vicki Rippie
Executive Director

Enclosures: Staff Memorandum

c: Senior Assistant Attorney General Linda A. Dalton
Senior Counsel Nancy Krier
Richard L. Pope, Jr.
Christine Gregoire





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MEMORANDUM

TO: Jane Noland, Chair, Public Disclosure Commission
FROM: Philip E. Stutzman, Director of Compliance *Philip E. Stutzman*
DATE: August 23, 2006
SUBJECT: 45-Day Citizen Action Letter - Complaint filed against People for Chris Gregoire Surplus Funds Account – PDC Case No. 06-320

The Public Disclosure Commission (PDC) staff has completed its investigation of a 45-Day Citizen Action Letter received by the Attorney General's Office on February 8, 2006, that was forwarded to the PDC for investigation on February 13, 2006. The complaint alleged violations of RCW 42.17 by the People for Chris Gregoire Surplus Funds Account for failing to timely file complete and accurate reports.

PDC staff reviewed the complaint in light of the following statutes:

RCW 42.17.095 requires candidates who transfer surplus campaign funds to a separate account for nonreimbursed public office-related expenses to report transfers to and expenditures from the account in accordance with RCW 42.17.090.

RCW 42.17.080 and 090 require candidates to file timely, accurate reports of deposits and expenditures. The reports are due on the 10th of each month following any month in which there was more than \$200 in deposit or expenditure activity in the account. Reports of expenditures must state the date, vendor, amount and purpose of the expenditure.

RCW 42.17.3691 requires candidates that expended \$10,000 or more in their last campaign, or expect to spend more than \$10,000 in the current campaign, to file contribution and expenditure activities electronically.

I.
Filing Surplus Funds Account Activity Electronically

The complaint alleged that the People for Chris Gregoire Surplus Funds Account failed to file its reports electronically in accordance with RCW 42.17.3691.

We found:

- Teresa Olson, treasurer for the People for Chris Gregoire Surplus Funds Account, contacted PDC staff and inquired about the need to file reports for the surplus funds account by the electronic method.
- Ms. Olson was informed by PDC staff that reports for surplus funds accounts are not required to be filed electronically. Thus, Ms. Olson filed the reports manually using paper forms.

The requirement in RCW 42.17.3691 to file reports electronically applies only to contribution and expenditure reports of campaigns. It does not apply to surplus funds accounts. Therefore, the People for Chris Gregoire Surplus Funds Account was not required to file its reports electronically.

II.
Alleged Transfer of \$2,000 from Surplus Funds Account to Campaign Account

The complaint alleged that on October 31, 2002, the People for Chris Gregoire Surplus Funds Account transferred \$2,000 to the Chris Gregoire Attorney General campaign account at a time when she was not a candidate for Attorney General. The complaint alleged that this violated RCW 42.17.095(7) which restricts surplus funds accounts to be used for "*non reimbursed public office-related expenses*" and prohibits using surplus funds accounts for "*deposits of campaign funds that are not surplus.*" The complaint stated that Ms. Gregoire was not a candidate for Attorney General on October 31, 2002 when this \$2,000 was transferred to her campaign account, and that she did not file a C-1 for that office for the 2004 election.

We found:

- In the 2000 election cycle, the People for Chris Gregoire Attorney General campaign held its money in two accounts, a savings account and a checking account. The funds in both accounts became surplus funds after the 2000 election was held and all obligations related to the campaign had been paid.
- On October 31, 2002, the People for Chris Gregoire Surplus Funds Account reported making a \$2,000 expenditure, described as "*Miscellaneous Transfer to Campaign Account.*"

- The \$2,000 expenditure was an internal transfer from the campaign's savings account (which was called the surplus account) to its checking account (which was called the campaign account) at a time when both accounts were made up entirely of surplus funds from the 2000 campaign. The transfer was not an expenditure to a new account for a new campaign. It was a transfer between the two accounts holding the campaign's surplus funds.

Thus, the transfer was not a violation of RCW 42.17.095. On June 10, 2003, at the request of PDC staff, Ms. Olson transferred the remaining funds from the checking account to the savings account to consolidate all surplus funds in a single surplus funds account.

III.

Alleged Failure to Report Timely and Complete Surplus Funds Account Reports

The complaint alleged that the People for Chris Gregoire Surplus Funds Account failed to timely file its C-4 reports from July 2003 through December 31, 2005. In addition, the complaint alleged that the Surplus Funds Account reports failed to include the name and address of each vendor used, and the amounts paid to each vendor when accounting for reimbursements to staff for expenses paid out of the Surplus Funds Account.

We found:

- Ms. Olson stated that she believed reporting for surplus funds accounts was not subject to the required reporting dates for a candidate's campaign. She stated that she now understands the law requires monthly reporting of surplus fund accounts if more than \$200 is expended.
- The People for Chris Gregoire Surplus Funds Account filed a total of six C-4 reports between 6 and 158 days late disclosing a total of \$8,185 in expenditures for non-reimbursed public office-related expenses. All but \$410 in expenditures were filed substantially on time. Four of the six late-filed reports accounted for \$7,775 in expenditures and were filed substantially on time, while the two remaining reports accounted for only \$410. The late reported activity was as follows:

Lateness of Report	Period of Activity	Total Expenditures	Purpose of Expenditures
2-6 days late	Three Reports (May-July, 2005; November 2005; and December 2005)	\$4,127	Reimbursements to staff for nonreimbursed public office-related expenses.
31 days late	September of 2005	\$3,648	Reimbursements to staff for nonreimbursed public office-related expenses.
128 days late	August of 2003	\$201	Reimbursements to staff for nonreimbursed public office-related expenses.
158 days late	July of 2003	\$209	Reimbursements to staff for nonreimbursed public office-related expenses.
Totals		\$8,185	

- In 28 instances, the Surplus Funds Account reports did not include complete information about vendors paid, or did not include the details of the original expenses of staff members when reimbursements were reported. On March 20, 2006, Ms. Olson provided the names, addresses and amounts paid to each vendor for all of the 28 expenditures that had incomplete information about vendors paid. This additional information included payments made to vendors for services, and partial payments made to individuals as reimbursement for out-of-pocket expenses for office-related activities. The 28 expenditures for individuals and vendor-related information covered the period February 14, 2005 to December 31, 2005.

While the People for Chris Gregoire Surplus Funds Account filed six Surplus Funds Account C-4 reports late, the campaign acknowledged their lateness, provided corrective action when notified of the reporting discrepancies, and pledged to file complete and timely reports in the future. In addition, the Gregoire campaign has a history of timely filing its contributions and expenditures during its campaigns. The campaign has been reminded to file its surplus funds account reports on a monthly basis if there has been activity of over \$200 since the last report was filed. Thus, enforcement is not warranted.

Staff Recommendation

After a careful review of the alleged violation and relevant facts, we have concluded our investigation and PDC staff recommends that a letter be sent to the Attorney General recommending that no further action be taken on the alleged violations listed in the Citizen Action Letter.